



JOHN CHIANG
California State Controller

June 23, 2014

Tim Oliver, Interim Vice-Chancellor of Fiscal Services
San Bernardino Community College District
114 S. Del Rosa Drive
San Bernardino, CA 92408

Dear Mr. Oliver:

The State Controller's Office reviewed the costs claimed by the San Bernardino Community College District for the legislatively mandated Integrated Waste Management (IWM) Program (Chapter 1116, Statutes of 1992; and Chapter 764, Statutes of 1999) for the period of July 1, 1999, through June 30, 2009; and July 1, 2010, through June 30, 2011. The district did not claim any program costs for the period of July 1, 2009, through June 30, 2010. We conducted our review under the authority of Government Code sections 12410, 17558.5, and 17561. Our review was limited to ensuring that offsetting savings were properly reported in accordance with program requirements.

The district claimed \$382,484 for the mandated program. Our review found that \$77,792 is allowable (\$86,436 less a \$8,644 penalty for filing late claims) and \$304,692 is unallowable. The costs are unallowable because the district did not offset any savings realized from implementing its IWM plan, as described in the attached Summary of Program Costs (Attachment 1), Summary of Offsetting Savings Calculations (Attachment 2), and the Finding and Recommendation (Attachment 3). The State made no payments to the district. The State will pay \$77,792, contingent upon available appropriations.

If you disagree with the review finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's website at www.csm.ca.gov/docs/IRCForm.pdf.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, by phone at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/sk

Attachments

RE: S14-MCC-900

cc: Jose Torres, Director of Fiscal Services
San Bernardino Community College District
John Grow, Director of Facilities Planning and Construction
San Bernardino Community College District
Lawrence Strong, Director of Internal Audits
San Bernardino Community College District
Christine Atalig, Specialist, College Finance and Facilities Planning
California Community Colleges Chancellor's Office
Mollie Quasebarth, Principal Program Budget Analyst
Education Systems Unit, California Department of Finance
Mario Rodriguez, Finance Budget Analyst
Education Systems Unit, California Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

**Attachment 1—
Summary of Program Costs
July 1, 1999, through June 30, 2009;
and July 1, 2010, through June 30, 2011**

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 1999, through June 30, 2000</u>			
Direct costs:			
Salaries and benefits	\$ 11,613	\$ 11,613	\$ —
Indirect costs	5,292	5,292	—
Total direct and indirect costs	16,905	16,905	—
Less offsetting savings ²	—	(6,715)	(6,715)
Subtotal	16,905	10,190	(6,715)
Less late filing penalty ³	—	(1,019)	(1,019)
Total program costs	<u>\$ 16,905</u>	9,171	<u>\$ (7,734)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 9,171</u>	
<u>July 1, 2000, through June 30, 2001</u>			
Direct costs:			
Salaries and benefits	\$ 26,314	\$ 26,314	\$ —
Indirect costs	13,652	13,652	—
Total direct and indirect costs	39,966	39,966	—
Less offsetting savings ²	—	(12,356)	(12,356)
Subtotal	39,966	27,610	(12,356)
Less late filing penalty ³	—	(2,761)	(2,761)
Total program costs	<u>\$ 39,966</u>	24,849	<u>\$ (15,117)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 24,849</u>	
<u>July 1, 2001, through June 30, 2002</u>			
Direct costs:			
Salaries and benefits	\$ 26,314	\$ 26,314	\$ —
Indirect costs	12,354	12,354	—
Total direct and indirect costs	38,668	38,668	—
Less offsetting savings ²	—	(16,286)	(16,286)
Subtotal	38,668	22,382	(16,286)
Less late filing penalty ³	—	(2,238)	(2,238)
Total program costs	<u>\$ 38,668</u>	20,144	<u>\$ (18,524)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 20,144</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2002, through June 30, 2003</u>			
Direct costs:			
Salaries and benefits	\$ 26,314	\$ 26,314	\$ —
Indirect costs	12,941	12,941	—
Total direct and indirect costs	39,255	39,255	—
Less offsetting savings ²	—	(26,406)	(26,406)
Subtotal	39,255	12,849	(26,406)
Less late filing penalty ³	—	(1,285)	(1,285)
Total program costs	<u>\$ 39,255</u>	11,564	<u>\$ (27,691)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 11,564</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs:			
Salaries and benefits	\$ 26,314	\$ 26,314	\$ —
Indirect costs	11,689	11,689	—
Total direct and indirect costs	38,003	38,003	—
Less offsetting savings ²	—	(24,598)	(24,598)
Subtotal	38,003	13,405	(24,598)
Less late filing penalty ³	—	(1,341)	(1,341)
Total program costs	<u>\$ 38,003</u>	12,064	<u>\$ (25,939)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 12,064</u>	
<u>July 1, 2004, through June 30, 2005</u>			
Direct costs:			
Salaries and benefits	\$ 27,830	\$ 27,830	\$ —
Indirect costs	12,695	12,695	—
Total direct and indirect costs	40,525	40,525	—
Less offsetting savings ²	—	(73,385)	(73,385)
Subtotal	40,525	(32,860)	(73,385)
Adjustment to eliminate negative balance	—	32,860	32,860
Total program costs	<u>\$ 40,525</u>	—	<u>\$ (40,525)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2005, through June 30, 2006</u>			
Direct costs:			
Salaries and benefits	\$ 33,648	\$ 33,648	\$ —
Indirect costs	16,064	16,064	—
Total direct and indirect costs	49,712	49,712	—
Less offsetting savings ²	—	(166,015)	(166,015)
Subtotal	49,712	(116,303)	(166,015)
Adjustment to eliminate negative balance	—	116,303	116,303
Total program costs	<u>\$ 49,712</u>	—	<u>\$ (49,712)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Salaries and benefits	\$ 30,781	\$ 30,781	\$ —
Indirect costs	13,944	13,944	—
Total direct and indirect costs	44,725	44,725	—
Less offsetting savings ²	—	(369,775)	(369,775)
Subtotal	44,725	(325,050)	(369,775)
Adjustment to eliminate negative balance	—	325,050	325,050
Total program costs	<u>\$ 44,725</u>	—	<u>\$ (44,725)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Salaries and benefits	\$ 16,708	\$ 16,708	\$ —
Indirect costs	9,011	9,011	—
Total direct and indirect costs	25,719	25,719	—
Less offsetting savings ²	—	(553,385)	(553,385)
Subtotal	25,719	(527,666)	(553,385)
Adjustment to eliminate negative balance	—	527,666	527,666
Total program costs	<u>\$ 25,719</u>	—	<u>\$ (25,719)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2008, through June 30, 2009</u>			
Direct costs:			
Salaries and benefits	\$ 19,473	\$ 19,473	\$ —
Indirect costs	11,008	11,008	—
Total direct and indirect costs	30,481	30,481	—
Less offsetting savings ²	—	(592,513)	(592,513)
Subtotal	30,481	(562,032)	(592,513)
Adjustment to eliminate negative balance	—	562,032	562,032
Total program costs	<u>\$ 30,481</u>	—	<u>\$ (30,481)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>July 1, 2010, through June 30, 2011</u>			
Direct costs:			
Salaries and benefits	\$ 11,856	\$ 11,856	\$ —
Indirect costs	6,669	6,669	—
Total direct and indirect costs	18,525	18,525	—
Less offsetting savings ²	—	(156,513)	(156,513)
Subtotal	18,525	(137,988)	(156,513)
Adjustment to eliminate negative balance	—	137,988	137,988
Total program costs	<u>\$ 18,525</u>	—	<u>\$ (18,525)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>Summary: July 1, 1999, through June 30, 2009; and July 1, 2010, through June 30, 2011</u>			
Direct costs:			
Salaries and benefits	\$ 257,165	\$ 257,165	\$ —
Indirect costs	125,319	125,319	—
Total direct and indirect costs	382,484	382,484	—
Less offsetting savings	—	(1,997,947)	(1,997,947)
Subtotal	382,484	(1,615,463)	(1,997,947)
Adjustment to eliminate negative balance	—	1,701,899	1,701,899
Subtotal	382,484	86,436	(296,048)
Less late filing penalty	—	(8,644)	(8,644)
Total program costs	<u>\$ 382,484</u>	77,792	<u>\$ (304,692)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 77,792</u>	

¹ See Attachment 3, Finding and Recommendation.

² See Attachment 2, Summary of Offsetting Savings Calculations.

³ The district filed its fiscal year (FY) 1999-2000 through FY 2003-04 initial reimbursement claims after the due date specified in Government Code section 17560. Pursuant to Government Code section 17561, subdivision (d)(3), the State assessed a late filing penalty equal to 10% of allowable costs, with no maximum penalty amount (for claims filed on or after September 30, 2002).

**Attachment 2—
Summary of Offsetting Savings Calculations
July 1, 1999, through June 30, 2009;
and July 1, 2010, through June 30, 2011**

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized			Review Adjustment ¹
		July - December	January - June	Total	
<u>July 1, 1999, through June 30, 2000</u>					
Maximum required diversion percentage		—	25.00%		
Actual diversion percentage	÷	—	÷ 27.47%		
Allocated diversion percentage		—	91.01%		
Tonnage diverted	×	—	×	(202.75)	
Statewide average landfill fee per ton	×	—	×	\$36.39	
Offsetting savings, FY 1999-2000	\$ —	\$ —	\$ (6,715)	\$ (6,715)	\$ (6,715)
<u>July 1, 2000, through June 30, 2001</u>					
Maximum required diversion percentage		25.00%	25.00%		
Actual diversion percentage	÷	27.47%	÷ 30.82%		
Allocated diversion percentage		91.01%	81.12%		
Tonnage diverted	×	(202.75)	×	(191.10)	
Statewide average landfill fee per ton	×	\$36.39	×	\$36.39	
Offsetting savings, FY 2000-01	\$ —	\$ (6,715)	\$ (5,641)	\$ (12,356)	\$ (12,356)
<u>July 1, 2001, through June 30, 2002</u>					
Maximum required diversion percentage		25.00%	50.00%		
Actual diversion percentage	÷	30.82%	÷ 37.57%		
Allocated diversion percentage ²		81.12%	100.00%		
Tonnage diverted	×	(191.10)	×	(294.30)	
Statewide average landfill fee per ton	×	\$36.39	×	\$36.17	
Offsetting savings, FY 2001-02	\$ —	\$ (5,641)	\$ (10,645)	\$ (16,286)	\$ (16,286)
<u>July 1, 2002, through June 30, 2003</u>					
Maximum required diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	37.57%	÷ 56.37%		
Allocated diversion percentage ²		100.00%	88.70%		
Tonnage diverted	×	(294.30)	×	(482.45)	
Statewide average landfill fee per ton	×	\$36.17	×	\$36.83	
Offsetting savings, FY 2002-03	\$ —	\$ (10,645)	\$ (15,761)	\$ (26,406)	\$ (26,406)

Attachment 2 (continued)

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized			Review Adjustment ¹
		July - December	January - June	Total	
<u>July 1, 2003, through June 30, 2004</u>					
Maximum required diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 56.37%	÷ 53.12%		
Allocated diversion percentage		88.70%	94.13%		
Tonnage diverted	×	(482.45)	×	(244.35)	
Statewide average landfill fee per ton	×	\$36.83	×	\$38.42	
Offsetting savings, FY 2003-04	\$ —	\$ (15,761)	\$ (8,837)	\$ (24,598)	\$ (24,598)
<u>July 1, 2004, through June 30, 2005</u>					
Maximum required diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 53.12%	÷ 93.49%		
Allocated diversion percentage		94.13%	53.48%		
Tonnage diverted	×	(244.35)	×	(3,094.75)	
Statewide average landfill fee per ton	×	\$38.42	×	\$39.00	
Offsetting savings, FY 2004-05	\$ —	\$ (8,837)	\$ (64,548)	\$ (73,385)	\$ (73,385)
<u>July 1, 2005, through June 30, 2006</u>					
Maximum required diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 93.49%	÷ 84.79%		
Allocated diversion percentage		53.48%	58.97%		
Tonnage diverted	×	(3,094.75)	×	(3,740.55)	
Statewide average landfill fee per ton	×	\$39.00	×	\$46.00	
Offsetting savings, FY 2005-06	\$ —	\$ (64,548)	\$ (101,467)	\$ (166,015)	\$ (166,015)
<u>July 1, 2006, through June 30, 2007</u>					
Maximum required diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 84.79%	÷ 90.36%		
Allocated diversion percentage		58.97%	55.33%		
Tonnage diverted	×	(3,740.55)	×	(10,102.55)	
Statewide average landfill fee per ton	×	\$46.00	×	\$48.00	
Offsetting savings, FY 2006-07	\$ —	\$ (101,467)	\$ (268,308)	\$ (369,775)	\$ (369,775)
<u>July 1, 2007, through June 30, 2008</u>					
Maximum required diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 90.36%	÷ 90.36%		
Allocated diversion percentage		55.33%	55.33%		
Tonnage diverted	×	(10,102.55)	×	(10,102.55)	
Statewide average landfill fee per ton	×	\$48.00	×	\$51.00	
Offsetting savings, FY 2007-08	\$ —	\$ (268,308)	\$ (285,077)	\$ (553,385)	\$ (553,385)

Attachment 2 (continued)

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized			Review Adjustment ¹
		July - December	January - June	Total	
<u>July 1, 2008, through June 30, 2009</u>					
Maximum required diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 90.36%	÷ 90.36%		
Allocated diversion percentage		55.33%	55.33%		
Tonnage diverted		× (10,102.55)	× (10,102.55)		
Statewide average landfill fee per ton		× \$51.00	× \$55.00		
Offsetting savings, FY 2008-09	\$ —	\$ (285,077)	\$ (307,436)	\$ (592,513)	\$ (592,513)
<u>July 1, 2010, through June 30, 2011</u>					
Maximum required diversion percentage		50.00%	—		
Actual diversion percentage		÷ 90.36%	÷ —		
Allocated diversion percentage		55.33%	—		
Tonnage diverted		× (5,051.28)	× —		
Statewide average landfill fee per ton		× \$56.00	× —		
Offsetting savings, FY 2010-11	\$ —	\$ (156,513)	\$ —	\$ (156,513)	\$ (156,513)
<u>Summary: July 1, 1999, through June 30, 2009; and July 1, 2010, through June 30, 2011</u>					
	\$ —	\$ (923,512)	\$ (1,074,435)	\$ (1,997,947)	\$ (1,997,947)

¹ See Attachment 3, Finding and Recommendation.

² San Bernardino Valley College did not achieve the maximum required diversion percentage in 2002. Therefore, 100% of the tonnage diverted is offsetting savings realized by the district.

Attachment 3— Finding and Recommendation July 1, 1999, through June 30, 2009; and July 1, 2010, through June 30, 2011

**FINDING—
Unreported offsetting
savings**

The district did not report any offsetting savings on its mandated cost claims for the review period. We found that the district realized savings of \$1,997,947 from implementation of its integrated waste management (IWM) plan.

We informed Tim Oliver, Interim Vice Chancellor of Fiscal Services, of the review finding via email on June 13, 2014. John Grow, Director of Facilities Planning and Construction, responded by email on June 19, 2014, stating that the district has a general understanding of the issues involved, but does not agree with the audit methodology.

The following table summarizes the unreported offsetting savings by fiscal year:

Fiscal Year	Offsetting Savings Reported	Offsetting Savings Realized	Review Adjustment
1999-2000	\$ -	\$ (6,715)	\$ (6,715)
2000-01	-	(12,356)	(12,356)
2001-02	-	(16,286)	(16,286)
2002-03	-	(26,406)	(26,406)
2003-04	-	(24,598)	(24,598)
2004-05	-	(73,385)	(73,385)
2005-06	-	(166,015)	(166,015)
2006-07	-	(369,775)	(369,775)
2007-08	-	(553,385)	(553,385)
2008-09	-	(592,513)	(592,513)
2010-11	-	(156,513)	(156,513)
Total	<u>\$ -</u>	<u>\$ (1,997,947)</u>	<u>\$ (1,997,947)</u>

On March 25, 2004, the Commission on State Mandates (CSM) adopted the statement of decision for the IWM Program. The CSM determined that Chapter 1116, Statutes of 1992; and Chapter 764, Statutes of 1999, imposed upon community college districts a state mandate reimbursable under Government Code section 17561, commencing July 1, 1999.

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. The CSM adopted the parameters and guidelines on March 30, 2005.

In March 2007, the Department of Finance and the IWM Board filed a petition for a Writ of Mandate requesting the CSM to issue new parameters and guidelines that give full consideration to the community colleges' cost savings (e.g., avoided landfill disposal fees) and revenues

(from recyclables) by complying with the test claim statutes. The Judgment and a Writ of Mandate were issued on June 30, 2008, ordering the CSM to amend the parameters and guidelines to require community college districts to identify and offset from their claims cost savings realized as a result of implementing their plan.

On September 26, 2008, the CSM amended the parameters and guidelines to the original period of reimbursement because the court's decision interprets the test claim statutes as a question of law.

In compliance with Government Code section 17558, the State Controller's Office issues claiming instructions to assist community college districts in claiming mandated-program reimbursable costs.

The parameters and guidelines (section VIII. Offsetting Cost Savings) state:

Reduced or avoided costs realized from implementation of the community college districts' Integrated Waste Management Plans shall be identified and offset from this claim as cost savings, consistent with the direction for revenue in Public Contract Code sections 12167 and 12167.1.

Public Contract Code sections 12167 and 12167.1 require agencies in state-owned and state-leased buildings to deposit all revenues from the sale of recyclables into the IWM Account in the IWM Fund. The revenues are to be continuously appropriated to the Board for the purpose of offsetting recycling program costs. For the review period, the district did not remit to the State the savings realized from implementation of its IWM plan.

Offsetting Savings Calculation

The CSM's Final Staff Analysis of the proposed amendments to the parameters and guidelines (Item #8—CSM hearing of September 26, 2008) states:

...cost savings may be calculated from the annual solid waste disposal reduction or diversion rates that community colleges must annually report to the Board pursuant to Public Resources Code section 42926, subdivision (b) (1).

To compute the savings amount, we multiplied the allocated diversion percentage by the tonnage diverted, and then multiplied the total by the avoided landfill disposal fee, as follows:

$$\text{Offsetting Savings Realized} = \frac{\text{Maximum Required Diversion \%}}{\text{Actual Diversion \%}} \times \text{Tonnage Diverted} \times \text{Avoided Landfill Disposal Fee (per Ton)}$$

This calculation determines the cost that the district did not incur for solid waste disposal as a result of implementing its IWM plan. The offsetting savings calculation is presented in Attachment 2 – Summary of Offsetting Savings Calculations.

Allocated Diversion Percentage

Public Resource Code 42921 requires districts to achieve a solid waste diversion percentage of 25% beginning January 1, 2002, and a 50% diversion percentage by January 1, 2004. The parameters and guidelines state that districts will be reimbursed for all mandated costs incurred to achieve these levels, without reduction when they fall short of stated goals, but not for amounts that exceed these state-mandated levels. Therefore, we allocated the offsetting savings to be consistent with the requirements of the mandated program.

For calendar years 2000 through 2007, we used the actual diversion percentage reported by the district to CalRecycle (formerly the IWM Board) pursuant to Public Resources Code section 42926, subdivision (b)(1).

In 2008, CalRecycle began focusing on “per-capita disposal” instead of a “diversion percentage.” As a result, CalRecycle stopped requiring community college districts to report the actual amount of tonnage diverted, and the annual reports no longer identify a “diversion percentage.” Therefore, we used the 2007 diversion percentage to calculate the offsetting savings for fiscal year (FY) 2007-08, FY 2008-09, and FY 2010-11. The district did not provide any documentation to support a different diversion percentage.

Tonnage Diverted

The tonnage diverted is solid waste that the district recycled, composted, and kept out of a landfill.

For calendar years 2000 through 2007, we used the actual tonnage diverted, as reported by the district to CalRecycle pursuant to Public Resources Code section 42926, subdivision (b)(1).

As previously noted, in 2008, CalRecycle stopped requiring community college districts to report the actual amount of tonnage diverted. Therefore, we used the tonnage diverted in 2007 to calculate the offsetting savings for FY 2007-08, FY 2008-09, and FY 2010-11. The district did not provide any documentation to support a different amount of diverted tonnage.

Avoided Landfill Disposal Fee (per Ton)

The avoided landfill disposal fee is used to calculate realized savings because the district no longer incurs a cost to dispose of the diverted tonnage at a landfill. For each fiscal year in the review period, we used the statewide average disposal fee provided by CalRecycle. The district did not provide any documentation to support a different disposal fee.

Recommendation

The IWM Program was suspended in the FY 2011-12 through FY 2013-14 Budget Acts. Further, commencing in FY 2013-14, the district elected to participate in a block grant program, pursuant to Government Code section 17581.7, in lieu of filing annual mandated cost claims. If the program becomes active and if the district chooses to opt out of the block grant program, we recommend that the district offset all savings realized from implementation of its IWM plan.